

**BETHLEHEM AUTHORITY  
BETHLEHEM, PA**

**MINUTES OF REGULAR MEETING**

**JANUARY 12, 2006**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on January 12, 2006, immediately following the reorganization meeting, in Room 504, City Administration Building, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:24 PM by Chairman Richard Master, with the following in attendance:

**BETHLEHEM AUTHORITY**

James L. Broughal  
David T. DiGiacinto  
Ronald J. Donchez  
Michael A. Keyock  
Richard L. Master  
Thomas J. McDonald  
Daniel L. Meixell  
Sandra L. Reppert  
Stephen R. Salvesen  
John J. Tallarico, Jr.

**THE BETHLEHEM PRESS**

Greg Rogers

**THE EXPRESS TIMES**

Amy Unger

**CITY OF BETHLEHEM**

Michael Alkhal  
Jeffrey Andrews  
Jean Belinski  
David Brong  
Mayor Callahan (Late Arrival)  
Dennis Reichard (Late Arrival)

**PUBLIC RESOURCES ADVISORY GROUP**

Thomas Huestis

**SCHOOR DEPALMA, INC.**

David Applegate

**THE MORNING CALL**

Nicole Radzievich

On a motion by Mr. DiGiacinto, seconded by Mr. Keyock, the minutes of the regular meeting of December 7, 2005, were approved unanimously by voice vote.

**COURTESY OF THE FLOOR AND RECOGNITION OF VISITORS**

Mr. Master recognized Councilwoman Jean Belinski; Mr. Al Wirth, Bethlehem resident; Mr. Bud Cook of The Nature Conservancy; Mr. Bruce Stetler, Lehigh Mountain, Salisbury Township resident; Mr. Stephen Antalics, Bethlehem resident; Mr. David Applegate of Schoor DePalma, Inc; Mr. Thomas Huestis of Public Resources Advisory Group; Mr. David Brong, Mr. Jeffrey Andrews, and Mr. Michael Alkhal of the City of Bethlehem; Mr. Daryl Peck of Concord Public Financial.

## **REPORT OF THE CHAIRMAN**

Mr. Master outlined the accomplishments of the Bethlehem Authority and its position as a financial authority going forward:

- The Strategic Plan for the water and sewer systems, and the Bethlehem Authority's assistance in formulating that plan.
- The five-year business model for the water system, developed with the assistance of PRAG, specifically for the City of Bethlehem.
- The Forest Regeneration Plan, which includes modest timbering activities to enhance the value of the forest over time and provide new revenue.
- The City of Bethlehem's PUC-approved water rate increase, which was initiated by the Bethlehem Authority, to ensure the financial health of the utility.
- The continued excellent working relationship between the Bethlehem Authority and the City of Bethlehem and the renewed commitment by the City of Bethlehem with respect to the provisions of the Contract and Lease and Trust Indenture agreements.
- Better control of our (land) assets, including negotiating or terminating leases in the watershed and selling extraneous land parcels outside of the watershed.
- Policing by our special officer, and the networking with state and local authorities that has been very effective in addressing the security issues in the watershed.

**Interim Executive Director.** Mr. Salvesen's position as Executive Director will be for a period of three months. During that time, Mr. Salvesen has agreed to assist in hiring and transitioning the new director. A transition, separation and release agreement needs to be approved by the Board.

A motion by Mr. Tallarico, seconded by Mr. Keyock, to accept the transition, separation and release agreement between Mr. Salvesen and the Bethlehem Authority, was approved unanimously by voice vote.

Mr. Master thanked Mr. Salvesen and acknowledged his accomplishments during his tenure.

## **REPORT OF THE SOLICITOR**

Mr. Broughal's report is covered under Old Business, and he requested that the meeting move to that segment while he was present.

## **OLD BUSINESS**

**Salisbury Township Land Sale to Lehigh County.** A confirmation of the negotiated price per acre for this property is necessary to move forward into an agreement of sale with Lehigh County. As discussed, there will be a reverter clause stating the property can only be used as recreational/open space. Lehigh County will be responsible for the survey of the property, which will determine the actual acreage (131 to 141 acres). *Mr. Broughal indicated there is no need to go to City Council since there is no agreement of sale at this time.*

A motion by Mr. DiGiacinto, seconded by Mr. Keyock, to enter into an agreement of sale with Lehigh County for the transaction of property in Salisbury Township at a price of \$6,500.00 per acre with a reverter clause for recreational/open space use only was approved unanimously by voice vote.

## **REPORT OF THE CONSULTING ENGINEER**

Mr. Applegate stated his report stands as filed in the Board book.

## **REPORT OF THE CONTROLLER**

Mr. McDonald's report for the month ended December 31, 2005, as filed in the Board book, was accepted without comment.

The total of the eleven funds was \$17,557,745.38. The decrease of \$696,999.21 from the prior period was primarily due to Emmaus loan interest payments (\$103,842.65) and the 2001 debt service payment due December 1<sup>st</sup> (\$235,000.00 principal, \$323,748.75 interest). For the fiscal year ended December 31<sup>st</sup>, the annual accounting work is under way.

## **REPORT OF THE BETHLEHEM AUTHORITY SPECIAL POLICE**

Officer Meixell's report, as filed in the Board book, was accepted without comment.

Officer Meixell thanked Mr. Bud Cook, of The Nature Conservancy, for inviting him to a prescribed burn conference. It enabled him to make contact with fire specialists, who will help in the investigation of ongoing problems on Bethlehem Authority property.

## **WATER REPORT**

The Water Report, as filed in the Board book, was accepted without comment.

## **REPORT OF DIRECTOR OF WATER AND SEWER RESOURCES, CITY OF BETHLEHEM**

Mr. Brong reported that the water fund was approximately \$500,000 ahead of projection at December 31, 2005. No projection was provided in order to gauge the exact status.

### **NEW BUSINESS**

**Public Resources Advisory Group Presentation.** Mr. Thomas Huestis presented to the Board options on refinancing the 1998 current interest bonds (for savings) and restructuring existing debt (memorandum attached to and made a part of these minutes). There is limited ability to refinance or restructure the 2004 bonds. The PENNVEST loan has the potential to be refinanced or restructured, but it is the lowest cost debt at 2% and should be kept intact. The 1997 Emmaus loan also has the potential to be refinanced or restructured.

The net present value savings on refinancing the 1998 bonds is approximately \$300,000, or 3% of the callable refinanced bonds. PRAG recommends 3% as a minimum savings target; however this is at the lower level of recommended savings. Tax laws allow only one advance refinancing before the call date. This savings target is crucial. The Bethlehem Authority has the option to wait until the November, 2008, call date and not use up the one advance refinancing. Savings could be higher or something less than the numbers projected above depending on interest rates.

PRAG also conducted a level debt analysis to possibly eliminate rising debt service over the next 20 years. It has a present value savings but a cash flow loss (front-loaded to lessen the amount of debt in the end). This is not a recommended position for the Bethlehem Authority at this time.

In summary, there is the ability to refinance the 1998 bonds with 3% savings, structured all up front or over time (approximately \$14,500 savings per year for 20 years), and the ability to restructure debt to give relief with the present value savings significantly less. It will take approximately one to two months to complete a refinancing transaction, competitively or negotiated.

**Concord Public Financial Advisor Presentation.** Mr. Daryl Peck presented to the Board his analysis on refinancing the 1998 current interest bonds (memorandum attached to and made a part of these minutes). He indicated interest rates have been slightly declining since last year and that the present net savings on refinancing is in excess of \$300,000. He pointed out that if interest rates are just .13% higher at the call date of November, 2008, there would be less of a savings than if the bonds were refinanced now. All details of the refinancing can be handled (and interest rate locked in) in one month and closing would most likely take place within the 30 days following.

Councilwoman Belinski questioned how much of an annual increase in revenues will be realized since the PUC rate increase in December, 2005. Mr. Brong indicated there is an approximate \$1.7 million revenue increase that has been included in the 2006 budget. He added the City needs money for capital, and restructuring would be the better option if it allows for more capital. However, \$300,000.00 in savings now will not sustain the water fund years from now.

## **NEW BUSINESS (Continued)**

Additional discussions on the possible refinancing of the 1998 bonds or the restructuring of debt will continue in a special meeting of the Board as soon as possible. No decision will be made today. (If a decision is reached to refinance or restructure, it will have to be presented to the Finance Committee of City Council).

## **REPORT OF THE EXECUTIVE DIRECTOR**

Mr. Salvesen's report, as filed in the Board book, was accepted without comment.

**Professional Liability Insurance Renewal.** Mr. Salvesen asked for Board approval to authorize the expenditure of \$2,670.00 for the Professional Liability Insurance policy, which renews on January 22, 2006. This premium (\$165.00 less than last year) is due and payable by that date or coverage will be terminated. There is an option to carry terrorism coverage, however this has been declined in the past.

A motion by Mr. DiGiacinto, seconded by Mr. Tallarico, to expend \$2,670.00 for the renewal of the Professional Liability Insurance policy was approved unanimously by voice vote.

**Employee Dishonesty Bond.** Mr. Salvesen informed the Board that the application for the renewal of the Employee Dishonesty Bond was completed (as approved at the December, 2005, meeting) and the invoice for same (\$100.00) is on this month's resolution for approval of bills.

## **APPROVAL OF BILLS**

Mr. Master presented Resolution 260, Approval of Bills, to the Board for consideration and approval.

*There was a brief discussion concerning the invoice from PRAG, which represented the fourth quarter, 2005, retainer fee of \$15,000.00 (\$60,000.00 total for 2005). Attached to the invoice was a summary of billable hours for the contract year totaling \$121,918.75.*

It was noted that the resolution must be amended by \$2,670.00 for the addition of the Professional Liability Insurance premium.

On a motion by Mr. Tallarico, seconded by Mr. Keyock, Resolution 260 was approved unanimously by voice vote.

## **NEW BUSINESS**

**Banking Change for General Account.** Mr. Salvesen reported on his meeting with Mr. Keyock and Mr. McDonald to review proposals from Embassy Bank, Sovereign Bank, and National Penn Bank for banking services. Convenience of branches, interest rates, fees and customer service were the criteria considered. It is the recommendation of the group that the banking services for the general fund account be moved from Bank of America to National Penn Bank. National Penn is offering the best interest rate and service to the Bethlehem Authority.

A motion by Mr. Keyock, seconded by Mr. DiGiacinto, to move the general fund bank account to National Penn Bank was approved unanimously by voice vote.

**Renew Lehigh Valley.** Mr. Master reported on Renew Lehigh Valley (a spin-off of Renew Pennsylvania), a group of individuals and corporations from the Lehigh Valley organized to study new approaches to growth in the Lehigh Valley. Mr. Master noted that the group voted on doing a regionalization study on water and sewer system suppliers. Mayor Callahan would like the City of Bethlehem to be a participant in the study. Mr. Brong is involved and will keep the Board up-to-date on new developments.

## **COURTESY OF THE FLOOR.**

Mr. Bruce Stetler reiterated his desire for Lehigh County to transact the Salisbury Township land with the Bethlehem Authority.

Mr. Al Wirth questioned if the change in Lehigh County government will have an affect on their Intent to purchase the Salisbury Township land. Mr. Master indicated there should not be any negative effect, and we are merely waiting for contact with the appropriate parties.

## **ADJOURNMENT**

On a motion by Mr. Tallarico, seconded by Mr. Keyock, and approved unanimously by voice, the Board adjourned its regular meeting at 5:05 PM.

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John J. Tallarico, Secretary